

**REPORT OF THE AUDIT OF THE  
WARREN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**LETTER OF TRANSMITTAL**

**AUDIT EXAMINATION OF THE**  
**WARREN COUNTY FISCAL COURT**

**June 30, 2003**

The Auditor of Public Accounts has completed the audit of the Warren County Fiscal Court for fiscal year ended June 30, 2003.

The financial statements of South Central Kentucky Regional Development Authority, a discretely presented component unit, have not been audited, and we were not engaged to audit the South Central Kentucky Regional Development Authority's financial statements as part of our audit of the County's basic financial statements. In addition, the financial statements of Inter-Modal Transportation Authority, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United State of America, which is inconsistent with the basis of accounting Warren County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on discretely presented component units.

We have issued unqualified opinions, based on our audit and the reports of the other auditors, on the financial statements of Warren County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$48,098,463 as of June 30, 2003. The fiscal court had unrestricted net assets of \$6,870,450 in its governmental funds as of June 30, 2003, with total net assets of \$47,977,175. In its enterprise fund, total net cash and cash equivalents were \$111,642 with total net assets of \$121,288. The fiscal court's discretely presented component units had net assets of \$8,848,426 as of June 30, 2003. The discretely presented component units had net cash and cash equivalents of \$1,710,631. The fiscal court had total debt principal as of June 30, 2003 of \$50,557,650 with \$1,418,701 due within the next year. The discretely presented component units had total debt principal as of June 30, 2003 of \$6,000,000 with \$6,000,000 due within the next year.

**Report Comments:**

- The Jailer Should Require Jail Canteen Records Be Maintained In Accordance With Guidelines Prescribed By The State Local Finance Officer Pursuant To KRS 68.210
- Southern Kentucky Performing Arts Center, Inc. Lacks Adequate Segregation Of Duties
- Inter-Modal Transportation Authority, Inc. Lacks Adequate Segregation Of Duties

**Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Michael O. Buchanan, Warren County Judge/Executive  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Warren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Inter-Modal Transportation Authority, Inc., a discretely presented component unit, which represents 20.6 percent and 36.7 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Inter-Modal Transportation Authority, Inc., is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of South Central Kentucky Regional Development Authority have not been audited, and we were not engaged to audit the South Central Kentucky Regional Development Authority's financial statements as part of our audit of the County's basic financial statements. The South Central Kentucky Regional Development Authority's financial activities are included in the County's basic financial statements as a discretely presented component unit and represent 38 percent and one percent of the assets and revenues, respectively, of the County's aggregate discretely presented component units.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
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As described in Note 1, Warren County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, the financial statements of Inter-Modal Transportation Authority, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United State of America, which is inconsistent with the basis of accounting Warren County, Kentucky, uses to prepare its financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the South Central Kentucky Regional Development Authority's financial statements been audited and the Inter-Modal Transportation Authority's financial statements been prepared using the same basis of accounting as Warren County, Kentucky, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Warren County, Kentucky, as of June 30, 2003, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has elected to implement Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County, Kentucky's basic financial statements. The accompanying supplemental information, combining and individual fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of findings and questioned costs and schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.



To the People of Kentucky  
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In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2004 on our consideration of Warren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The Jailer Should Require Jail Canteen Records Be Maintained In Accordance With Guidelines Prescribed By The State Local Finance Officer Pursuant To KRS 68.210
- Southern Kentucky Performing Arts Center, Inc. Lacks Adequate Segregation Of Duties
- Inter-Modal Transportation Authority, Inc. Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 26, 2004



WARREN COUNTY OFFICIALS

For The Year Ended June 30, 2003

**Fiscal Court Members:**

Michael O. Buchanon	County Judge/Executive
James T. Kaelin	Magistrate
Cedric Burnam	Magistrate
Eddie Beck	Magistrate
Thomas Hunt	Magistrate
Terry W. Young	Magistrate
Robert Donoho	Magistrate

**Other Elected Officials:**

Michael E. Caudill	County Attorney
Jackie Strode	Jailer
Dorothy Owens	County Clerk
Pat Howell Goad	Circuit Court Clerk
Jerry Gaines	Sheriff
William Carter	Property Valuation Administrator
Kevin Kirby	Coroner

**Appointed Personnel:**

Jerry Pearson	County Treasurer
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# MICHAEL O. BUCHANON

TEL: (270) 843-4146

WARREN COUNTY JUDGE EXECUTIVE

FAX: (270) 781-2777

## **Management's Discussion and Analysis June 30, 2003**

The financial management of Warren County, Kentucky offers readers of Warren County's financial statements this narrative overview and analysis of the financial activities of Warren County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights.**

- Warren County had net assets of \$48,098,463 as of June 30, 2003. The fiscal court had unrestricted net assets of \$6,870,450 in the governmental funds as of June 30, 2003. In the enterprise fund, cash and cash equivalents were \$111,642 with total assets of \$121,288. Total debt for governmental funds principal as of June 30, 2003 was \$50,557,650 with \$1,418,701 due within one year.
- The governmental fund's total net assets decreased by \$3,412,002 from the prior year. This decrease is primarily due to depreciation expense.
- At the close of the current fiscal year, Warren County governmental funds reported current assets of \$9,738,763. Of this amount, \$9,678,632 is available for spending at the government's discretion (unreserved fund balance).
- Warren County's total indebtedness at the close of fiscal year June 30, 2003 was \$50,557,650, of which \$49,138,949 is long-term debt (due after 1 year) and \$1,418,701 is short-term debt (to be paid within 1 year). Debt additions were \$5,615,327, and debt reductions were \$987,579 for a net increase of \$4,627,748 for the year. This increase was due to the issuance of General Obligation Improvement Bonds, Series 2002, for Public Parks, Courthouse improvements, and Emergency Management vehicle.

### **Overview of the Financial Statements.**

This management discussion and analysis is intended to serve as an introduction to Warren County's basic financial statements. Warren County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

**Warren County  
Management's Discussion and Analysis  
June 30, 2003  
(Continued)**

**Government-wide Financial Statements.**

The *government-wide financial statements* are designed to provide readers with a broad overview of Warren County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Warren County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Warren County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Warren County's governmental activities include general government, protection to persons and property, roads, recreation, social services, airport, debt service, capital projects, and administration. Warren County has one business type activity - Jail Canteen.

The government-wide financial statements include not only Warren County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Warren County has three such entities described as major Discretely Presented Component Units, they are:

Southern Kentucky Performing Arts Center, Incorporated  
Inter-Modal Transportation Authority, Incorporated  
South Central Kentucky Regional Development Authority

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Warren County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Warren County can be divided into broad categories: *governmental funds and proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend able resources, as well as on balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Warren County**  
**Management's Discussion and Analysis**  
**June 30, 2003**  
**(Continued)**

**Governmental Funds. (Continued)**

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Warren County maintains (12) twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund
- Park Construction Bond Fund
- General Obligation Bond Fund
- Regional Jail Corporation
- Justice Center Expansion Corporation

Non-major Funds:

- Local Government Economic Assistance Fund
- Grant Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund

Warren County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, and Jail Fund to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Fiduciary Funds Financial Statements.** These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Utility Tax.

**Component Units Financial Statements.** As mentioned above, Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. The government-wide financial statements present information for the component units in aggregate within a single column of the statement of net assets. Also, information on the statement of activities is aggregated for component units. The combining statements of net assets and the combining statement of activities provide details for each component unit.

**Warren County**  
**Management's Discussion and Analysis**  
**June 30, 2003**  
**(Continued)**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Warren County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2002	2003	2002	2003	2002	2003
<b>Assets</b>						
Current and other assets	11,787,525	9,738,763	143,762	111,642	11,931,287	9,850,405
Capital assets	85,531,554	88,796,062	13,315	9,646	85,544,869	88,805,708
Total Assets	97,319,079	98,534,825	157,077	121,288	97,476,156	98,656,113
<b>Liabilities</b>						
Current and other liabilities	0	1,418,701	0	0	0	1,418,701
Long-term liabilities	45,929,902	49,138,949	0	0	45,929,902	49,138,949
Total Liabilities	45,929,902	50,557,650	0	0	45,929,902	50,557,650
<b>Net Assets</b>						
Invested in capital assets, net of related debt	39,601,652	38,238,412	13,315	9,646	39,614,967	38,248,058
Restricted	3,607,228	2,868,313	0	0	3,607,228	2,868,313
Unrestricted	8,180,297	6,870,450	143,762	111,642	8,324,059	6,982,092
Total Net Assets	51,389,177	47,977,175	157,077	121,288	51,546,254	48,098,463

**Changes in Net Assets.**

*Governmental Activities.* Warren County's net assets decrease by \$3,412,002 in fiscal year 2003. Key elements of this are as follows:

- Current assets and cash decreased \$2,048,762, due to expenditures from Parks Construction Bond Fund.
- Investment in capital assets and infrastructure, net of related debt decreased \$1,363,240 primarily due to depreciation expense.
- Current and long-term liabilities increased by \$4,627,748, due to additional debt.

*Business-type Activities.* Warren County's net assets decreased by \$35,789 in fiscal year 2003. Key elements are as follows:

- Current assets and cash decreased by \$32,120.
- Investment in capital decreased by \$3,669 due to depreciation expense.



**Warren County**  
**Management's Discussion and Analysis**  
**June 30, 2003**  
**(Continued)**

**Financial Analysis of the County's Funds.** As noted earlier, Warren County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

*Governmental Funds Overview.* The focus of Warren County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2003 fiscal year, the combined ending fund balances of County governmental funds were \$9,738,763. Approximately 99% (\$9,678,632) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$60,131) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

The County has (7) seven major governmental, and (5) non-major funds.

**Major Funds**

- General Fund
- Road and Bridge Fund
- Jail Fund
- Park Construction Bond Fund
- General Obligation Bond Fund
- Regional Jail Corporation
- Justice Center Expansion Corporation

**Non-major Funds**

- Local Government Economic Assistance Fund
- Grant Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund

1. The General Fund is the chief operating fund of Warren County. At the end of June 30, 2003 fiscal year, unreserved fund balance of the General Fund was \$5,303,434, while total fund balance was \$5,363,565. The County received \$6,900,472 in real and personal property, motor vehicle, and other taxes for approximately 67% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 33% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had \$437,878 fund balance at June 30, 2003. The fiscal year 2003 expenditures for Road and Bridge Fund were \$2,419,834.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2003 of \$256,094. The Jail Fund received \$3,843,218 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$200,000 to the jail operations.

**Warren County  
Management's Discussion and Analysis  
June 30, 2003  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

*Governmental Funds Overview. (Continued)*

4. The Park Construction Bond Fund had a fund balance of \$1,582,916 as of June 30, 2003, for the construction of the new regional parks. These funds are restricted for parks construction only.
5. The General Obligation Bond Fund had a balance of \$26,218 as of June 30, 2003. This is a decrease of \$2,497,604 from June 30, 2002 due to continued construction of the three (3) regional parks. These funds are restricted for debt reduction.
6. The Regional Jail Corporation at the end of June 30, 2003 fiscal year, had a fund balance of \$415,411. These funds are restricted for debt reduction.
7. The Justice Center Expansion Corporation at the end of June 30, 2003, had a fund balance of \$843,768. These funds are restricted for debt reduction.
8. The Local Government Economic Assistance Fund had a fund balance of \$591,754 as of June 30, 2003, an increase of \$71,722 over the previous fiscal year end.
9. The Grant Fund had a balance of \$14,425 as of June 30, 2003 and is used to account for federal or state monies received. The County received \$378,615 in funds for various projects.
10. The Park Enterprise Fund had a fund balance of \$123,526 as of June 30, 2003.
11. The Emergency 9-1-1 Fund accounts for the operation of the City/County emergency operations communications. The Fund had a fund balance of \$41,465 at the end of June 30, 2003 fiscal year. Tax revenue from telephone and cell phones for the fiscal year was \$375,064. These funds are used to retire bonds and the operations of 9-1-1.
12. Federal Drug Forfeiture Fund had a fund balance of \$41,743 as of June 30, 2003. The funds are restricted, and can only be used as directed by approved budgeted appropriation.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Warren County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2003 fiscal year, amounted to \$111,642 and total assets were \$121,288.

**General Fund Budgetary Highlights.** Warren County's budget was amended during the fiscal year increasing the budgeted amount by \$1,231,511. Budget amendments were made to various expenditures due to grants awarded in the fiscal year, surplus cash carried forward, and an increase in actual tax revenue.

**Warren County**  
**Management's Discussion and Analysis**  
**June 30, 2003**  
**(Continued)**

**General Fund Budgetary Highlights. (Continued)**

Actual revenues were \$1,546,134 short of the budget. This variance was due to Intergovernmental Revenue and Interest Income. Expenditures on some grants were not reimbursed until after the end of the fiscal year, and the interest on investments remains depressed.

**Capital Assets and Debt Administration.**

*Capital Assets.* Warren County's investment in capital assets for its government and business type activities as of June 30, 2003, amount to \$88,805,708 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement. Warren County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2003 fiscal year included the continued construction of (3) three new parks, renovation of the old jail for use as office space, and the purchase of several vehicles and trailers.

Additional information of the County's capital assets can be found in Note 4 of this report.

**Table 2**  
**Warren County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2002	2003	2002	2003	2002	2003
Infrastructure Assets	39,620,374	36,575,173	0	0	39,620,374	36,575,173
Land	4,566,344	4,625,184	0	0	4,566,344	4,625,184
Const. In Progress	2,630,479	9,196,790	0	0	2,630,479	9,196,790
Bldgs. & Improvements	35,765,300	35,569,731	0	0	35,765,300	35,569,731
Other Equip.	525,570	630,487	0	0	525,570	630,487
Vehicles & Equip.	2,423,487	2,198,697	13,315	9,646	2,436,802	2,208,343
Total Net Capital Assets	85,531,554	88,796,062	13,315	9,646	85,544,869	88,805,708

*Long-Term Debt.* At the end of the 2003 fiscal year, Warren County had total bonded debt outstanding of \$50,557,650. The totals are as follows: General Obligation Bonds \$20,885,000; Public Projects Revenue Bonds \$2,885,000; Lease Revenue Bonds \$485,000; and First Mortgage Revenue Bonds \$25,785,000. The County has (3) three leases totaling \$517,650.

*Short-Term Debt.* The County has a total of \$62,945 in various short-term leases.

**Warren County**  
**Management's Discussion and Analysis**  
**June 30, 2003**  
**(Continued)**

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continue growth for Warren County.
- In early 2004, the County intends to issue a bond in the amount of \$1,600,000 for Parks and Courthouse projects.

**Requests For Information.** This financial report is designed to provide a general overview of Warren County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Warren County Treasurer, 429 East 10<sup>th</sup> Street, Second Floor, Bowling Green, KY 42101.

Questions concerning the audit report of the Inter-Modal Transportation Authority should be addressed to 2325 Airway Court, Suite C, Bowling Green, KY 42103.

**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 9,208,386	\$ 111,642	\$ 9,320,028	\$ 1,710,631
Investments	530,377		530,377	4,417,688
Rent Receivable				5,418
Rental Deposits (Restricted)				8,000
Total Current Assets	9,738,763	111,642	9,850,405	6,141,737
Noncurrent Assets:				
Land Held For Development				6,993,955
Bond Issuance Costs				76,516
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress	9,196,790		9,196,790	
Land and Land Improvements	4,625,184		4,625,184	1,677,500
Buildings	35,569,731		35,569,731	
Other Equipment	630,487		630,487	9,215
Vehicles and Equipment	2,198,697	9,646	2,208,343	24,467
Web-Site Development Costs				11,840
Infrastructure Assets - Net of Depreciation	36,575,173		36,575,173	
Total Noncurrent Assets	88,796,062	9,646	88,805,708	8,793,493
Total Assets	98,534,825	121,288	98,656,113	14,935,230
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable				69,804
Deferred Rental Income				9,000
Rental Deposits				8,000
Total Current Liabilities				86,804
Noncurrent Liabilities:				
Due Within One Year	1,418,701		1,418,701	6,000,000
Due In More Than One Year	49,138,949		49,138,949	
Total Noncurrent Liabilities	50,557,650		50,557,650	6,000,000
Total Liabilities	50,557,650		50,557,650	6,086,804

The accompanying notes are an integral part of the financial statements.

**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003**  
**(Continued)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	\$ 38,238,412	\$ 9,646	\$ 38,248,058	\$ 1,799,538
Restricted For:				
Capital Projects	1,582,916		1,582,916	
Debt Service	1,285,397		1,285,397	
Grant Projects				4,434,086
Unrestricted	6,870,450	111,642	6,982,092	2,614,802
Total Net Assets	<u>\$ 47,977,175</u>	<u>\$ 121,288</u>	<u>\$ 48,098,463</u>	<u>\$ 8,848,426</u>

The accompanying notes are an integral part of the financial statements.



**WARREN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003**

**WARREN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,258,808	\$ 1,000,397	\$ 3,852,518	\$
Protection to Persons and Property	5,522,430	4,074,382	855,041	
General Health and Sanitation	1,592,525		123,150	
Social Services	447,935			
Recreation and Culture	1,311,362	11,683		
Roads	4,463,166		1,448,619	
Airports	140,392			
Road Facilities	2,878			
Debt Service	2,487,659			
Capital Projects	1,054,143			
Administration	1,678,066			
Total Governmental Activities	23,959,364	5,086,462	6,279,328	
Business-type Activities:				
Jail Canteen Fund	403,082	366,545		
Total Business-type Activities	403,082	366,545		
Total Primary Government	\$ 24,362,446	\$ 5,453,007	\$ 6,279,328	\$
Component Units:				
Southern Kentucky Performing Arts Center, Inc.	\$ 339,554	\$ 130	\$	\$
Inter-Modal Transportation Authority, Inc.	563,605	100,218	379	
South Central Kentucky Regional Development Authority	129,630			
Total Component Units	\$ 1,032,789	\$ 100,348	\$ 379	\$

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Loss On Investments

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**WARREN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003**  
**(Continued)**

Net (Disbursements) Receipts and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (405,893)	\$	\$ (405,893)	\$
(593,007)		(593,007)	
(1,469,375)		(1,469,375)	
(447,935)		(447,935)	
(1,299,679)		(1,299,679)	
(3,014,547)		(3,014,547)	
(140,392)		(140,392)	
(2,878)		(2,878)	
(2,487,659)		(2,487,659)	
(1,054,143)		(1,054,143)	
(1,678,066)		(1,678,066)	
(12,593,574)		(12,593,574)	
	(36,537)	(36,537)	
	(36,537)	(36,537)	
\$ (12,593,574)	\$ (36,537)	\$ (12,630,111)	\$
			\$ (339,424)
			(463,008)
			(129,630)
			\$ (932,062)
364,787		364,787	
5,030,546		5,030,546	
762,667		762,667	
1,117,536		1,117,536	
892,773		892,773	
237,947	748	238,695	310,417
			(122,483)
757,869		757,869	20,949
17,447		17,447	
9,181,572	748	9,182,320	208,883
(3,412,002)	(35,789)	(3,447,791)	(723,179)
51,389,177	157,077	51,546,254	9,571,605
\$ 47,977,175	\$ 121,288	\$ 48,098,463	\$ 8,848,426

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

**WARREN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Park Construction Bond Fund</b>	<b>General Obligation Bond Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,918,188	\$ 437,878	\$ 256,094	\$ 1,582,916	\$ 26,218
Investments	445,377				
Total Assets	<u>\$ 5,363,565</u>	<u>\$ 437,878</u>	<u>\$ 256,094</u>	<u>\$ 1,582,916</u>	<u>\$ 26,218</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 60,131	\$	\$	\$	\$
Unreserved:					
General Fund Type	5,303,434				
Special Revenue Fund Types		437,878	256,094		
Capital Projects Fund Type				1,582,916	
Debt Service Fund Type					26,218
Total Fund Balances	<u>\$ 5,363,565</u>	<u>\$ 437,878</u>	<u>\$ 256,094</u>	<u>\$ 1,582,916</u>	<u>\$ 26,218</u>
Total Liabilities and Fund Balances	<u>\$ 5,363,565</u>	<u>\$ 437,878</u>	<u>\$ 256,094</u>	<u>\$ 1,582,916</u>	<u>\$ 26,218</u>

The accompanying notes are an integral part of the financial statements.

**WARREN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003**  
**(Continued)**

<b>Regional Jail Corporation</b>	<b>Justice Center Expansion Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 415,411	\$ 843,768	\$ 727,913	\$ 9,208,386
		85,000	530,377
<u>\$ 415,411</u>	<u>\$ 843,768</u>	<u>\$ 812,913</u>	<u>\$ 9,738,763</u>

\$	\$	\$	\$
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\$	\$	\$	\$ 60,131
			5,303,434
		812,913	1,506,885
			1,582,916
<u>415,411</u>	<u>843,768</u>	<u></u>	<u>1,285,397</u>
<u>\$ 415,411</u>	<u>\$ 843,768</u>	<u>\$ 812,913</u>	<u>\$ 9,738,763</u>
<u>\$ 415,411</u>	<u>\$ 843,768</u>	<u>\$ 812,913</u>	<u>\$ 9,738,763</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 9,738,763
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	160,217,467
Depreciation	(71,421,405)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(517,650)
Bonded Debt	<u>(50,040,000)</u>
Net Assets Of Governmental Activities	<u>\$ 47,977,175</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Park Construction Bond Fund</b>
<b>REVENUES</b>				
Taxes	\$ 6,796,883	\$	\$	\$
In Lieu Tax Payments	103,589			
Excess Fees	892,773			
Licenses and Permits	833,516			
Intergovernmental	1,387,918	1,413,349	3,843,218	
Charges for Services	82,664		411,741	
Miscellaneous	82,497	6,164	526,109	826
Interest	176,682	1,497	2,013	21,384
Total Revenues	<u>10,356,522</u>	<u>1,421,010</u>	<u>4,783,081</u>	<u>22,210</u>
<b>EXPENDITURES</b>				
General Government	4,589,632			
Protection to Persons and Property	1,452,402		3,662,148	
General Health and Sanitation	1,582,753			
Social Services	385,935			
Recreation and Culture	2,621,264			2,662,118
Roads		1,218,056		
Airports	140,392			
Road Facilities		2,878		
Debt Service	144,784			
Capital Projects	51,907	1,002,236		
Administration	804,716	196,664	676,585	
Total Expenditures	<u>11,773,785</u>	<u>2,419,834</u>	<u>4,338,733</u>	<u>2,662,118</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(1,417,263)</u>	<u>(998,824)</u>	<u>444,348</u>	<u>(2,639,908)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Issuance				
Discount On Bond Issuance				
Accrued Interest Received				
Cost Of Bond Issuance				
Financing Obligation Proceeds	30,327			
Transfers From Other Funds	1,787,299	1,400,000	294,830	5,408,688
Transfers To Other Funds	(2,370,057)		(713,784)	(1,185,864)
Total Other Financing Sources (Uses)	<u>(552,431)</u>	<u>1,400,000</u>	<u>(418,954)</u>	<u>4,222,824</u>
Net Change in Fund Balances	(1,969,694)	401,176	25,394	1,582,916
Fund Balances - Beginning	7,333,259	36,702	230,700	
Fund Balances - Ending	<u>\$ 5,363,565</u>	<u>\$ 437,878</u>	<u>\$ 256,094</u>	<u>\$ 1,582,916</u>

The accompanying notes are an integral part of the financial statements.

**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003**  
**(Continued)**

<b>General Obligation Bond Fund</b>	<b>Regional Jail Corporation</b>	<b>Justice Center Expansion Corporation</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$ 375,064	\$ 7,171,947
				103,589
				892,773
				833,516
		2,470,300	821,612	9,936,397
				494,405
105,665			138,080	859,341
8,671	3,515	7,650	16,535	237,947
<u>114,336</u>	<u>3,515</u>	<u>2,477,950</u>	<u>1,351,291</u>	<u>20,529,915</u>
			428,615	5,018,247
			441,326	5,555,876
				1,582,753
			62,000	447,935
			42,413	5,325,795
			143,559	1,361,615
				140,392
				2,878
1,045,277	289,696	1,827,444		3,307,201
2,568,513				3,622,656
			101	1,678,066
<u>3,613,790</u>	<u>289,696</u>	<u>1,827,444</u>	<u>1,118,014</u>	<u>28,043,414</u>
<u>(3,499,454)</u>	<u>(286,181)</u>	<u>650,506</u>	<u>233,277</u>	<u>(7,513,499)</u>
5,585,000				5,585,000
(111,668)				(111,668)
17,447				17,447
(56,369)				(56,369)
				30,327
1,130,655	289,696	295,000		10,606,168
(5,563,215)		(773,248)		(10,606,168)
<u>1,001,850</u>	<u>289,696</u>	<u>(478,248)</u>		<u>5,464,737</u>
(2,497,604)	3,515	172,258	233,277	(2,048,762)
2,523,822	411,896	671,510	579,636	11,787,525
<u>\$ 26,218</u>	<u>\$ 415,411</u>	<u>\$ 843,768</u>	<u>\$ 812,913</u>	<u>\$ 9,738,763</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (2,048,762)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	7,327,424
Depreciation Expense	(4,062,916)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation	(30,327)
Bond Issuance	(5,585,000)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations	117,579
Bond Payments	<u>870,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (3,412,002)</u></u>
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**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 111,642
Total Current Assets	<u>111,642</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	49,981
Less Accumulated Depreciation	<u>(40,335)</u>
Total Noncurrent Assets	<u>9,646</u>
Total Assets	<u>121,288</u>
<b>Liabilities</b>	
Total Liabilities	<u>0</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	9,646
Unrestricted	<u>111,642</u>
Total Net Assets	<u>\$ 121,288</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 366,545
Total Operating Revenues	<u>366,545</u>
<b>Operating Expenses</b>	
Cost of Sales	242,710
Educational and Recreational	43,196
Personnel Costs	90,928
Depreciation	3,669
Miscellaneous	22,579
Total Operating Expenses	<u>403,082</u>
Operating Income (Loss)	<u>(36,537)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	748
Inmate Pay From State	35,710
Inmate Refunds	<u>(35,710)</u>
Total Nonoperating Revenues (Expenses)	<u>748</u>
Change In Net Assets	(35,789)
Total Net Assets - Beginning	<u>157,077</u>
Total Net Assets - Ending	<u>\$ 121,288</u>

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**WARREN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 366,545
Cost of Sales	(242,710)
Educational and Recreational	(43,196)
Personnel Costs	(90,928)
Miscellaneous	(22,579)
Net Cash Provided By Operating Activities	<u>(32,868)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	35,710
Inmate Refunds on Accounts	(35,710)
Net Cash Provided By Noncapital Financing Activities	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Net Cash (Used) Provided By Capital and Related Financing Activities	<u>0</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	748
Net Cash Provided By Investing Activities	<u>748</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(32,120)
Cash and Cash Equivalents - July 1	<u>143,762</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 111,642</u></u>

**WARREN COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2003 (Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income (Loss)	\$ (36,537)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>3,669</u>
Total Cash Provided By Operating Activities	<u><u>\$ (32,868)</u></u>

**WARREN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2003**

	<u><b>Agency Fund</b></u>
	<u><b>Utility Tax Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 427,182
Total Assets	<u>427,182</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>427,182</u>
Total Liabilities	<u>427,182</u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - COMPONENT UNITS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF NET ASSETS - COMPONENT UNITS**

**For The Year Ended June 30, 2003**

	<b>Southern Kentucky Performing Arts Center, Inc.</b>	<b>Inter-Modal Transportation Authority, Inc.</b>	<b>South Central Kentucky Regional Development Authority</b>	<b>Totals</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 16,398	\$ 1,408,369	\$ 285,864	\$ 1,710,631
Investments	4,417,688			4,417,688
Rent Receivable		5,418		5,418
Rental Deposits (Restricted)		8,000		8,000
Total Current Assets	<u>4,434,086</u>	<u>1,421,787</u>	<u>285,864</u>	<u>6,141,737</u>
Noncurrent Assets:				
Land Held For Development		1,610,273	5,383,682	6,993,955
Bond Issuance Costs			76,516	76,516
Capital Assets:				
Land and Improvements	1,677,500			1,677,500
Other Equipment		13,879		13,879
Vehicles and Equipment		55,354		55,354
Web-Site Development Costs		13,750		13,750
Less Accumulated depreciation		(37,461)		(37,461)
Total Noncurrent Assets	<u>1,677,500</u>	<u>1,655,795</u>	<u>5,460,198</u>	<u>8,793,493</u>
Total Assets	<u>6,111,586</u>	<u>3,077,582</u>	<u>5,746,062</u>	<u>14,935,230</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable		69,804		69,804
Deferred Rental Income		9,000		9,000
Rental Deposits		8,000		8,000
Total Current Liabilities		<u>86,804</u>		<u>86,804</u>
Noncurrent Liabilities:				
Due Within One Year			6,000,000	6,000,000
Total Noncurrent Liabilities			<u>6,000,000</u>	<u>6,000,000</u>
Total Liabilities		<u>86,804</u>	<u>6,000,000</u>	<u>6,086,804</u>
<b>Net Assets</b>				
Invested in Capital Assets	1,677,500	45,522	76,516	1,799,538
Restricted for Grant Projects	4,434,086			4,434,086
Unrestricted		2,945,256	(330,454)	2,614,802
Total Net Assets	<u>\$ 6,111,586</u>	<u>\$ 2,990,778</u>	<u>\$ (253,938)</u>	<u>\$ 8,848,426</u>

The accompanying notes are an integral part of the financial statements

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**WARREN COUNTY**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF ACTIVITIES - COMPONENT UNITS**

**For The Year Ended June 30, 2003**

Functions/Programs Reporting Entity	Program Revenues Received				Net (Disbursements) Receipts and Changes In Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units
Southern Kentucky Performing Arts Center, Inc.	\$ 339,554	\$ 130	\$	\$	\$ (339,424)
Inter-Modal Transportation Authority, Inc.	563,605	100,218	379		(463,008)
South Central Kentucky Regional Development Authority	129,630				(129,630)
Total Component Units	<u>\$ 1,032,789</u>	<u>\$ 100,348</u>	<u>\$ 379</u>	<u>\$</u>	<u>\$ (932,062)</u>
<b>General Revenues:</b>					
Unrestricted Investment Earnings					310,417
Loss On Investments					(122,483)
Miscellaneous Revenues					<u>20,949</u>
Total General Revenues and Transfers					<u>208,883</u>
Change in Net Assets					<u>(723,179)</u>
Net Assets					
- Beginning (Restated)					<u>9,571,605</u>
Net Assets - Ending					<u><u>\$ 8,848,426</u></u>

The accompanying notes are an integral part of the financial statements

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**WARREN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNITS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNITS**

**For The Year Ended June 30, 2003**

	<b>Southern Kentucky Performing Arts Center, Inc.</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 16,398
Investments	4,417,688
Total Assets	<u>\$ 4,434,086</u>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

	\$
Total liabilities	<u>\$ 0</u>

**FUND BALANCE**

Fund Balance:	
Unreserved	<u>\$ 4,434,086</u>
Total Fund Balance	<u>\$ 4,434,086</u>
Total Liabilities and Fund Balances	<u>\$ 4,434,086</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balance	\$ 4,434,086
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	<u>1,677,500</u>
Net Assets Of Governmental Activities	<u>\$ 6,111,586</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - COMPONENT UNITS**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - COMPONENT UNITS**

**For The Year Ended June 30, 2003**

	<b>Southern Kentucky Performing Arts Center, Inc.</b>	
	<u>Center, Inc.</u>	
<b>REVENUES</b>		
Miscellaneous	\$ 130	
Interest	262,111	
Total Revenues	<u>262,241</u>	
<b>EXPENDITURES</b>		
Recreation and Culture	975,253	
Administration	6,301	
Total Expenditures	<u>981,554</u>	
Deficiency of Revenues Over Expenditures Before Transfers and Financing Uses	<u>(719,313)</u>	
<b>Other Financing Uses</b>		
Loss On Investments	(122,483)	
Total Other Financing Uses	<u>(122,483)</u>	
Net Change in Fund Balances	(841,796)	
Fund Balances - Beginning	5,275,882	
Fund Balances - Ending	<u>\$ 4,434,086</u>	
<b>Reconciliation to the Statement of Activities:</b>		
Net Change in Fund Balances - Total Governmental Fund	\$ (841,796)	
Governmental Fund report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	<u>642,000</u>	
Change in Net Assets of Governmental Activities	\$ (199,796)	
Change in Net Assets of Business-Type Activities	<u>(523,383)</u>	
Change In Net Assets	<u>\$ (723,179)</u>	

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Inter-Modal Transportation Authority, Inc, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Warren County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Audited financial statements for the Inter-Modal Transportation Authority, Inc., a discretely presented component unit, may be requested by contacting the Inter-Modal Transportation Authority, Inc., 2325 Airway Court, Suite C, Bowling Green, Kentucky 42103.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Warren County Regional Jail Corporation

The Warren County Fiscal Court appoints a voting majority of the Regional Jail Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Regional Jail Corporation.

Warren County Justice Center Expansion Corporation

Warren County Fiscal Court must approve issue of bonded debt for the Justice Center Expansion Corporation; therefore, the Justice Center Expansion Corporation is fiscally dependent. In addition, the fiscal court leases the justice center from the Justice Center Expansion Corporation for the amount of the bond payments.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Southern Kentucky Performing Arts Center, Inc.

The Warren County Fiscal Court appoints a voting majority of the Southern Kentucky Performing Arts Center, Inc.'s (SKyPAC) governing board. The fiscal court is financially accountable and legally obligated for the debt of the SKyPAC. Financial information for the SKyPAC is presented discretely within Warren County's financial statements. All activities of the SKyPAC are accounted for within a governmental fund.

Inter-Modal Transportation Authority, Inc.

The Warren County Fiscal Court appoints a voting majority of the Inter-Modal Transportation Authority, Inc.'s (ITA) governing board. The ITA is engaged in the financing, design, promotion, development, and construction of a multi-modal commerce and distribution center and industrial park in the Warren County area. The fiscal court exercises organizational control over the ITA and retains authority to alter or change the structure, organizations, programs or activities of the ITA, including the power to terminate its existence. In the event the ITA is dissolved, title to and ownership of all its properties shall vest in the fiscal court. The ITA may not issue bonds, notes, or other obligations without the approval of the fiscal court.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Units (Continued)

South Central Kentucky Regional Development Authority

The Warren County Fiscal Court appoints a voting majority of the South Central Kentucky Regional Development Authority's (RDA) governing board. The RDA's primary purpose is the acquisition, retention, and development of land for industrial and commercial purposes in Kentucky. The fiscal court is legally obligated for the debt of the RDA.

**C. Warren County Constitutional Elected Officials Not Part Of Warren County, Kentucky**

The Kentucky constitution provides for election of the below officials from the geographic area constituting Warren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Warren County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Inter-Modal Transportation Authority, Inc, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation. 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Park Construction Bond Fund - The purpose of this fund is to account for funds received from a bond issuance. The funds may be used for completing major public parks land acquisition and development and for remodeling the Warren County Courthouse.

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

Regional Jail Corporation - The Regional Jail Corporation accounts for the activities of the Regional Jail Corporation, a blended component unit of the county. The Regional Jail Corporation issued debt to build a detention facility. The Regional Jail Corporation has entered into a contract, lease, and option with the County. The Department for Local Government does not require the fiscal court to report or budget these funds.

Justice Center Expansion Corporation - The Justice Center Expansion Corporation accounts for the activities of the Justice Center Expansion Corporation, a blended component unit of the county. The Justice Center Expansion Corporation issued debt to build facilities and additions of the justice center. The Justice Center Expansion Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, and Federal Drug Forfeiture Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, and Federal Drug Forfeiture Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Park Construction Bond Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund:**

The General Obligation Bond Fund, Regional Jail Corporation, and Justice Center Expansion Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

All fiduciary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Utility Tax Fund - This fund accounts for funds received from utility companies and remitted to the local school boards.

**Presentation of Component Units**

The financial statements present the following major discretely presented component units: Southern Kentucky Performing Arts Center, Inc., Inter-Modal Transportation Authority, Inc., and South Central Kentucky Regional Development Authority.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Presentation of Component Units (Continued)**

These component units are presented in separate columns in the combined financial statements. They are also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50



**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Warren County Fiscal Court: Animal Control Board, Codes Enforcement Board, Industrial Development Authority, and Warren County Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Warren County Fiscal Court:

**Joint City-County Planning Commission**

The Warren County Fiscal Court has retained an ongoing financial responsibility for the Joint City-County Planning Commission (Planning Commission). The Planning Commission is a joint venture between fiscal court and Cities of Bowling Green, Plum Springs, Smiths Grove, Woodburn, and Oakland to assist and promote the orderly development of the county and cities. The fiscal court and City of Bowling Green are each responsible for fifty percent of the basic administration included in the budget of the Planning Commission. During fiscal year 2003, the fiscal court paid the Planning Commission \$385,660.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Warren County Fiscal Court: Bowling Green-Warren County Regional Airport Board, Joint City-County Board of Adjustment, Contractors Licensing Board, Depot Development Authority, Design Review Board, Historic Preservation Board, Bowling Green Area Convention and Visitors Bureau, Military Liaison Board, and Bowling Green-Warren County Greenbelt Advisory Committee.

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments**

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

	Category			Carrying	Market
Investments	1	2	3	Amount	Value
<b>Primary Government:</b>					
Governmental Securities	\$ 530,377	\$	\$	\$ 530,377	\$ 530,377
<b>Component Units:</b>					
Mutual Funds	\$	\$ 9,835	\$	\$ 9,835	\$ 9,835
Governmental Obligations	1,699,541			1,699,541	1,686,226
Mortgage Backed Securities		15,028		15,028	14,977
Municipal Obligations	21,000	1,091,211		1,112,211	1,086,550
Corporate Bonds		1,581,073		1,581,073	1,573,696
Totals	\$ 1,720,541	\$ 2,697,147	\$	\$ 4,417,688	\$ 4,371,284

**Note 3. Operating Leases**

The fiscal court entered into various lease agreements for vehicles to be used by various county departments. The total expense related to these leases was \$140,318 for the fiscal year ended June 30, 2003. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2004	\$ 59,480
2005	3,465
Total Minimum Lease Payments	\$ 62,945

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 4,566,344	\$ 58,840	\$	\$ 4,625,184
Construction In Progress	2,630,479	6,566,311		9,196,790
Total Capital Assets Not Being Depreciated	7,196,823	6,625,151		13,821,974
Capital Assets, Being Depreciated:				
Buildings	37,857,310	282,876		38,140,186
Other Equipment	787,631	167,115		954,746
Vehicles and Equipment	4,409,910	107,465		4,517,375
Infrastructure	102,638,369	144,817		102,783,186
Total Capital Assets Being Depreciated	145,693,220	702,273		146,395,493
Less Accumulated Depreciation For:				
Buildings	(2,092,010)	(478,445)		(2,570,455)
Other Equipment	(262,061)	(62,198)		(324,259)
Vehicles and Equipment	(1,986,423)	(332,255)		(2,318,678)
Infrastructure	(63,017,995)	(3,190,018)		(66,208,013)
Total Accumulated Depreciation	(67,358,489)	(4,062,916)		(71,421,405)
Total Capital Assets, Being Depreciated, Net	78,334,731	(3,360,643)		74,974,088
Governmental Activities Capital Assets, Net	<u>\$ 85,531,554</u>	<u>\$ 3,264,508</u>	<u>\$</u>	<u>\$ 88,796,062</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 49,981	\$	\$	\$ 49,981
Total Capital Assets Being Depreciated	49,981			49,981
Less Accumulated Depreciation For:				
Vehicles and Equipment	(36,666)	(3,669)		(40,335)
Total Accumulated Depreciation	(36,666)	(3,669)		(40,335)
Total Capital Assets, Being Depreciated, Net	13,315	(3,669)		9,646
Business-Type Activities Capital Assets, Net	<u>\$ 13,315</u>	<u>\$ (3,669)</u>	<u>\$ 0</u>	<u>\$ 9,646</u>

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 427,949
Protection to Persons and Property	332,985
General Health and Sanitation	9,772
Recreation and Culture	21,187
Roads, Including Depreciation of General Infrastructure Assets	<u>3,271,023</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,062,916</u>

Business-Type Activities

Jail Canteen	<u>\$ 3,669</u>
Total Depreciation Expense - Business Activities	<u>\$ 3,669</u>

Capital asset activity for discretely presented component units for the year ended June 30, 2003 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,035,500	\$ 642,000	\$	\$ 1,677,500
Total Capital Assets Not Being Depreciated	1,035,500	642,000		1,677,500
Capital Assets, Being Depreciated:				
Other Equipment	12,903	976		13,879
Vehicles and Equipment	51,091	4,263		55,354
Web-Site Development Costs		13,750		13,750
Total Capital Assets Being Depreciated	63,994	18,989		82,983
Less Accumulated Depreciation For:				
Other Equipment	(3,322)	(1,342)		(4,664)
Vehicles and Equipment	(21,976)	(8,911)		(30,887)
Web-Site Development Costs		(1,910)		(1,910)
Total Accumulated Depreciation	(25,298)	(12,163)		(37,461)
Total Capital Assets, Being Depreciated, Net	38,696	6,826		45,522
Capital Assets, Net	\$ 1,074,196	\$ 648,826	\$ 0	\$ 1,723,022

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Inter-Modal Transportation, Inc.	<u>\$ 12,163</u>
Total Depreciation Expense - Business Activities	<u><u>\$ 12,163</u></u>

**Note 5. Short-term Debt**

In October 2001, South Central Kentucky Regional Development Authority, a discretely presented component unit, issued \$6,000,000 first mortgage revenue bonds to finance the acquisition of real estate.

Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Discretely presented component units:</b>					
Revenue Bonds	<u>\$ 6,000,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Business-type Activities					
Short-term Liabilities	<u><u>\$ 6,000,000</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 6,000,000</u></u>	<u><u>\$ 6,000,000</u></u>

**Note 6. Long-term Debt**

**A. General Obligation Improvement Bonds, Series 1999**

The fiscal court issued obligations, dated May 1, 1999 and payable in 20 annual installments beginning March 1, 2000, with \$1,290,000 term bonds due on March 1, 2020, and semi-annual interest payments on the first of March and September at varying rates from 3.200% to 4.875%. The fiscal court issued the bonds for the purpose of purchasing fire protection equipment and constructing an addition to and renovating the Warren County Regional Detention Facility. As of June 30, 2003, bonds outstanding were \$5,795,000. Future principal and interest requirements are:

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. General Obligation Improvement Bonds, Series 1999 (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 290,000	\$ 261,861
2005	320,000	250,841
2006	330,000	238,361
2007	345,000	225,161
2008	260,000	210,930
2009-2013	1,495,000	870,480
2014-2018	1,875,000	493,478
2019-2020	880,000	64,838
Totals	<u>\$ 5,795,000</u>	<u>\$ 2,615,950</u>

**B. General Obligation Bonds, Series 2000**

The fiscal court issued obligations, dated December 1, 2000 and payable in 17 annual installments beginning March 1, 2001, with the term bonds due on September 1 of the years 2012, 2023, 2026, and 2029; semi-annual interest payments at rates ranging from 4.75% to 5.20%. The fiscal court issued the bonds for the following purposes: i) redeeming prior to their stated maturity all the outstanding Warren County General Obligation Bond Anticipation Notes, Series 1999 (the "Prior Notes") dated July 1, 1999, originally issued to pay certain costs associated with construction of the Warren County Judicial Facility; ii) reimbursing the County for land acquisition costs associated with the parks projects; iii) depositing to the Construction Fund sufficient monies to complete a portion of the Project, and, iv) paying the costs of issuance of the bonds. As of June 30, 2003, bonds outstanding were \$9,505,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 45,000	\$ 484,016
2005	50,000	481,760
2006	90,000	478,435
2007	100,000	473,897
2008	170,000	467,418
2009-2013	1,070,000	2,195,728
2014-2018	1,500,000	1,883,276
2019-2023	2,085,000	1,427,410
2024-2028	2,870,000	789,100
2029-2030	1,525,000	83,070
Totals	<u>\$ 9,505,000</u>	<u>\$ 8,764,110</u>

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. General Obligation Improvement Bonds, Series 2002**

The fiscal court issued obligations, dated December 1, 2002 and payable in 15 annual installments beginning August 1, 2003, with the term bonds due on February 1 of the years 2020, 2024, 2026, and 2028; semi-annual interest payments at rates ranging from 4.00% to 4.50%. The fiscal court issued the bonds for the following purposes: i) completing major public parks, land acquisition and development plan; ii) remodeling the existing Warren County Courthouse; and, iii) paying the costs of issuance on the Bonds. As of June 30, 2003, bonds outstanding were \$5,585,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 95,000	\$ 292,723
2005	140,000	248,882
2006	145,000	245,453
2007	150,000	241,465
2008	155,000	236,860
2009-2013	855,000	1,096,122
2014-2018	1,050,000	904,520
2019-2023	1,315,000	634,784
2024-2028	1,680,000	267,391
Totals	<u>\$ 5,585,000</u>	<u>\$ 4,168,200</u>

**D. Public Projects Revenue Bonds, Series 1996**

The Regional Jail Corporation (Corporation), an agency and instrumentality of the fiscal court, issued obligation dated December 1, 1996 and payable in 19 annual installments beginning December 1, 1998, with the semi-annual interest payments at rates ranging from 4.00% to 5.30%.

The Corporation has entered into a contract lease and option with the fiscal court. The lease provides that the fiscal court shall lease the detention facility from the Corporation at a rental equal to the aggregate of the principal and interest payments due and payable during such period, together with the cost of operation and maintenance of such equipment and the leased premises and the cost of insuring the equipment and the leased premises. The fiscal court has the option to renew the lease each July 1. Should the fiscal court renew the lease until the bonds mature, the Corporation will convey the detention facility to the fiscal court. As of June 30, 2003, total bonds outstanding were \$2,885,000. Future principal and interest requirements are:



**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Public Projects Revenue Bonds, Series 1996 (Continued)**

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2004	\$ 150,000	\$ 141,241
2005	155,000	134,301
2006	165,000	126,859
2007	170,000	118,944
2008	180,000	110,586
2009-2013	1,025,000	409,766
2014-2017	1,040,000	113,434
Totals	<u>\$ 2,885,000</u>	<u>\$ 1,155,131</u>

**E. Lease Revenue Refunding Bonds, Series 1992**

The Justice Center Expansion Corporation (formerly the Warren Public Judiciary Corporation)(Corporation), an agency and instrumentality of the fiscal court issued obligations. These bonds were issued to advance refund First Mortgage Bonds, 1985 Series A bonds dated July 1, 1985.

The Corporation has entered into a contract, lease and option with the fiscal court whereby the fiscal court has leased the Justice Center on an annual basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on July 1 and January 1 of each year. The fiscal court has an exclusive option to renew the lease each July 1. Should the fiscal court renew the lease until the bonds mature July 1, 2005, the Corporation will convey the Justice Center to the fiscal court. Should the fiscal court terminate the option to the lease, the fiscal court will give, upon request, immediate possession of the Justice Center to the Corporation or the trustee of the bondholders.

Although the fiscal court is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements of the bonds for each year the contract, lease and option are renewed, the fiscal court expects to receive payments for the use of the Justice Center from the Kentucky Judicial Branch, Administrative Office of the Courts (AOC). The AOC will pay directly to the trustee a portion of the fiscal court's annual rental in the form of a use allowance. In addition, the AOC will pay the fiscal court certain expenses attributable to maintaining and operating the building. As of June 30, 2003, bonds outstanding were \$485,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2004	\$ 260,000	\$ 19,525
2005	110,000	9,350
2006	115,000	3,163
Totals	<u>\$ 485,000</u>	<u>\$ 32,038</u>

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**F. First Mortgage Revenue Bonds, Series 1997A**

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the fiscal court issued obligations; dated June 1, 1997 and payable in 14 annual installments beginning September 1, 2000, with the term bonds due on September 1 of the years 2015, 2017, 2024, and 2029; semi-annual interest payments at rates ranging from 5.125% to 5.25%.

The Corporation entered into a contract lease and option with the Administrative Office of the Courts (AOC). The lease provides the AOC lease the project site and project at a rental equal to the full amount of the principal and interest requirements on the bonds for each year in which the lease is renewed. On July 1 of each even numbered year, the lease may be renewed by AOC for another biennial period of two years. Should the AOC renew the lease until the bonds mature, the Corporation will convey the project site and the project to the fiscal court. As of June 30, 2003, bonds outstanding were \$22,605,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2004	\$ 395,000	\$ 1,179,224
2005	415,000	1,158,468
2006	435,000	1,136,687
2007	460,000	1,113,753
2008	480,000	1,089,665
2009-2013	2,820,000	5,038,331
2014-2018	3,665,000	4,193,131
2019-2023	4,760,000	3,093,913
2024-2028	6,195,000	1,658,999
2029-2030	2,980,000	161,570
Totals	<u>\$ 22,605,000</u>	<u>\$ 19,823,741</u>

**G. First Mortgage Revenue Bonds, Series 1999B**

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the fiscal court, issued \$3,460,000 First Mortgage Revenue Bonds on July 1, 1999 for the purpose of renovating and expanding the existing courthouse annex. The bonds are payable in 15 annual installments on the 1<sup>st</sup> of September, with term bonds due on September 1, of 2019, 2024, and 2029, and semi-annual interest payments due March and September at varying rates from 3.70% to 5.350%.

The Corporation, the fiscal court, and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 1999 wherein the AOC shall lease from the Corporation a portion of the project and project site at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay 100% of the principal and interest on the Bonds. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance and repair of the project. As of June 30, 2003, bonds outstanding were \$3,180,000. Future principal and interest requirements are:

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. First Mortgage Revenue Bonds, Series 1999B (Continued)**

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2004	\$ 60,000	\$ 167,264
2005	60,000	164,594
2006	65,000	161,749
2007	65,000	158,726
2008	70,000	155,519
2009-2013	405,000	720,339
2014-2018	525,000	598,493
2019-2023	690,000	436,485
2024-2028	900,000	222,415
2029-2030	340,000	16,500
Totals	<u>\$ 3,180,000</u>	<u>\$ 2,802,084</u>

**H. Office Buildings**

On December 19, 1994, the Warren County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of office buildings for the Health Department. The principal was \$580,000 at an effective interest rate of 6.94 percent for a period of 15 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2003, was \$306,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2004	\$ 44,000	\$ 19,973
2005	47,000	16,832
2006	49,000	13,510
2007	52,000	10,021
2008	55,000	6,324
2009	59,000	2,390
Totals	<u>\$ 306,000</u>	<u>\$ 69,050</u>

**I. Fire Trucks**

On December 25, 1995, the Warren County Fiscal Court entered into an agreement with the Emergency One, Inc. for the purchase of five fire trucks. The principal was \$619,985 at an effective interest rate of 5.69 percent for a period of 10 years, with payments due quarterly in March, June, September, and December. The principal outstanding as of June 30, 2003, was \$188,545. Future principal and interest requirements are:

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**I. Fire Trucks (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 72,244	\$ 9,010
2005	76,353	4,902
2006	39,948	837
Totals	<u>\$ 188,545</u>	<u>\$ 14,749</u>

**J. Emergency Management Vehicle**

On July 2, 2002, the Warren County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an emergency management vehicle for the emergency management services. The principal was \$30,327 at an effective interest rate of 3.60 percent for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2003, was \$23,105. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 7,457	\$ 698
2005	7,699	434
2006	7,949	161
Totals	<u>\$ 23,105</u>	<u>\$ 1,293</u>

**K. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 15,585,000	\$ 5,585,000	\$ 285,000	\$20,885,000	\$ 430,000
Revenue Bonds	29,740,000		585,000	29,155,000	865,000
Financing Obligations	604,902	30,327	117,579	517,650	123,701
Governmental Activities					
Long-term Liabilities	<u>\$ 45,929,902</u>	<u>\$ 5,615,327</u>	<u>\$ 987,579</u>	<u>\$50,557,650</u>	<u>\$ 1,418,701</u>

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$36,764 in interest on financing obligations and \$2,287,167 in interest on bonds and notes.

**Note 8. Project Financing - Inter-Modal Transportation Authority, Inc.**

On February 14, 2001, the Warren County Fiscal Court adopted a resolution authorizing and approving the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit, as the agency, instrumentality and constituted authority of the fiscal court, to issue up to \$25,000,000 in first mortgage revenue bonds for project financing. The resolution also approved issuance up to \$25,000,000 of bond anticipation notes to provide interim financing for the project pending issuance of the bonds.

On April 2, 2001, the fiscal court petitioned the State Local Debt Officer pursuant to KRS 66.310 to issue the bonds. A Warren County taxpayer filed objections and appealed the fiscal court's issuance of the bonds. The bond issuance was approved by the State Local Debt Officer, County Debt Commission, the Franklin Circuit Court, and the Kentucky Court of Appeals. The Kentucky Court of Appeals rendered a final non-appealable opinion sustaining and approving the proposed bond issue. The ITA issued first mortgage revenue bonds subsequent to June 30, 2003 (See Subsequent Events – Note 13).

Warren County Fiscal Court and the City of Bowling Green (City), pursuant to the Kentucky Increment Financing Act (KRS 65.680 to 65.699) have adopted ordinances authorizing the creation of a tax increment district in the development area to support the financing of the project, whereby the ITA will receive 80% of the incremental State, City, and County real estate taxes generated by businesses that locate in the development area. The ITA will also receive 25% of the City's 2% occupational license fee assessed on wages paid and net profits license fee paid by businesses locating in the development area, and up to 2% of a County wage assessment to be assessed on wages paid by businesses locating in the development area.

The City of Bowling Green, Kentucky, and eleven additional cities and counties of south central Kentucky, have passed resolutions authorizing and approving the execution of an Interlocal Cooperation Agreement, in accordance with the Interlocal Cooperation Agreement, pursuant to their support and extent of participation in the project.

The City of Bowling Green has agreed to join the fiscal court in a commitment to jointly, equally, and cooperatively assist in the development of the project.

**Note 9. Related Party Transactions**

**A. Management Agreement**

On September 18, 2001, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit, entered into a management agreement with the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit, a non-profit, industrial development authority created by Warren County Fiscal Court pursuant to KRS 154.50-301 through KRS 154.50-346 to finance the acquisition and development of industrial property in Warren County.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 9. Related Party Transactions (Continued)**

**A. Management Agreement (Continued)**

The agreement grants the ITA sole authorization to purchase, supervise, direct, control, manage, lease, and sell certain real estate for the RDA at prices and terms determined by the ITA. The ITA is responsible for maintenance and upkeep, construction of any improvements, and payment of taxes, insurance, and other expenses applicable to the real estate and has an exclusive option to purchase all real estate held by RDA for RDA's total original cost including interest and maintenance fees, if applicable, subject to promissory notes and mortgages.

The term of the agreement is for five years with either party having the option to renew the agreement for two terms of five years each.

**B. Master Total Net Lease Agreement**

On July 26, 2002, the Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit, entered into a master total net lease agreement with the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit, for lease of real estate, including land, houses, buildings, barns, and other improvements thereon, acquired pursuant to the management agreement. The lease term is for one year commencing August 1, 2002. The lease provides for a yearly rental amount of \$10 payable in advance. The ITA has the option to extend the lease for ten successive one-year terms.

During the term of the lease agreement, the ITA assumes all obligations and expenses in regard to maintenance and use of the real estate.

**C. Real Estate Acquisitions, Commitments**

In October 2001, the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit, issued \$6,000,000 First Mortgage Revenue Bonds to finance the acquisition of real estate. As of June 30, 2003, the RDA's real estate acquisitions, subject to management agreement, totaled \$5,383,682. In addition, the RDA's outstanding commitments to acquire real estate in future years pursuant to real estate purchase agreements totaled \$4,820,085 as of June 30, 2003.

The Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit, issued a series of First Mortgage Revenue Bonds subsequent to June 30, 2003 (See Subsequent Events – Note 13). Real estate owned by the RDA was acquired by the ITA and the RDA's outstanding bonds of \$6,000,000 were paid on October 1, 2003.

**D. Lease Agreements**

The Inter-Modal Transportation Authority, Inc. (ITA), a discretely presented component unit, has entered into net residential and net farm lease agreements as agent for and on behalf of the South Central Kentucky Regional Development Authority (RDA), a discretely presented component unit, pursuant to the terms of the management agreement. The lease agreements provide for lease of specific real estate acquired by the RDA and are for one-year terms with varying renewal options.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 9. Related Party Transactions (Continued)**

**E. Legal Fees**

During fiscal year 2003, the South Central Kentucky Regional Development Authority, a discretely presented component unit, paid approximately \$50,000 in legal expenses of the Inter-Modal Transportation Authority, Inc., a discretely presented component unit.

**Note 10. Commitments and Contingencies**

**A. National Corvette Museum Project**

The fiscal court has pledged on an annual basis up to a maximum of \$150,000 per fiscal year on an equal basis with the City of Bowling Green for debt service deficiencies on the Industrial Building Revenue Bonds, Series 1994 (National Corvette Museum project) remaining after the first \$100,000 of deficiency is covered by the City of Bowling Green/Warren County hotel/motel room tax receipts. These bonds outstanding mature serially in varying amounts through July 1, 2013. In February 2004, the National Corvette Museum has plans to pay off these bonds and release the fiscal court from its obligation

**B. Lovers Lane Soccer Complex**

During 1996, the fiscal court entered into an agreement with the City of Bowling Green to fund 20% of construction costs associated with the Lovers Lane Soccer Complex. The City of Bowling Green Municipal Project Corporation issued \$2,365,000 of Series 1995 Lease Revenue Bonds to finance the project. The fiscal court's commitment as of June 30, 2003, totaled \$391,420 payable at varying amounts semiannually in conjunction with the principal and interest payments due on the bonds, which mature November 1, 2015.

**C. Community Public Safety/Public Service Mobile Radio Communications System**

During 1997, the fiscal court entered into an agreement with the City of Bowling Green to fund 55% of the total cost associated with purchase and establishment of a community public safety/public service mobile radio communications system. The City of Bowling Green Municipal Projects Corporation issued \$1,560,000 of Series 1997 Lease Revenue Bonds to finance the project. The fiscal court's commitment as of June 30, 2003, totaled \$437,829 payable in varying amounts semiannually in conjunction with the principal and interest payments due on the bonds, which mature June 1, 2007.

**D. Historic Railroad Depot**

An Interlocal Cooperation Agreement relating to the Historic Railroad Depot was entered into on February 2, 2001 by and between the City of Bowling Green (City) and the Warren County Fiscal Court (County). The City and the County authorized the creation of jointly governed organization, a public non-profit corporation known as the Depot Development Authority, a corporation, to act as the agent, instrumentality and constituted authority of the City and the County in connection with the planning, promotion, development, financing, and acquisition by the corporation of the historic railroad station located in Bowling Green.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 10. Commitments and Contingencies (Continued)**

**D. Historic Railroad Depot (Continued)**

The City and County have agreed to borrow up to \$1,000,000 to repay the debt of the Authority and finish the renovation of the Depot. The City and County have agreed to equally share the costs of this loan over a twenty-year period and to share equally the responsibility and the costs of the remaining renovation, promotion, development, financing, management and maintenance of the historic depot. During fiscal year ended June 30, 2003, the County made payments totaling \$51,907.

**E. Health Department**

The Warren County Fiscal Court established a county health department under KRS 212.040. Upon the resolution being passed establishing the county health department, the fiscal court is required to appropriate a sufficient amount for the creation, establishment and maintenance of the county health department. The fiscal court budgeted \$850,719 and paid \$850,719 for fiscal year ended June 30, 2003. For the fiscal year ended June 30, 2004, the fiscal court budgeted \$879,723.

**Note 11. Employee Retirement System**

The fiscal court and the Inter-Modal Transportation Authority, Inc., a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

**Note 12. Deferred Compensation**

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.



**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 13. Insurance**

For the fiscal year ended June 30, 2003, Warren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 14. Subsequent Events**

**A. Revenue Bonds**

The Inter-Modal Transportation Authority, Inc., a discretely presented component unit, issued the following first mortgage revenue bonds subsequent to June 30, 2003:

Series	Dated	Principal Amount	Interest Rate	Payment Dates	Maturity Date
2003A	7/29/2003	\$ 2,415,000	3.875%	May 1 and November 1, beginning May 1, 2004	11/1/2013
2003B	8/19/2003	\$2,585,000	4.15%	May 1 and November 1, beginning May 1, 2004	11/1/2013
2003C	9/8/2003	\$ 2,165,000	4.0%	May 1 and November 1, beginning May 1, 2004	11/1/2013
2003D	9/30/2003	\$ 2,800,000	3.8%	May 1 and November 1, beginning May 1, 2004	11/1/2013

The bonds were issued to finance the cost of real estate acquired for the inter-modal commerce and distribution center and industrial park site. Subsequent to June 30, 2003, the ITA acquired real estate at a total cost of \$8,739,984. The real estate was acquired from the South Central Kentucky Regional Development Authority, a discretely presented component unit and a related party of ITA, at a cost of \$6,021,999, and from property owners at a cost of \$2,717,985.

**B. Grant**

Pursuant to Warren County Fiscal Court Resolution #03-WC, dated August 8, 2002, the fiscal court entered into an agreement with the Commonwealth of Kentucky, Transportation Cabinet (Cabinet), whereas the Cabinet has agreed to provide funding up to \$1,200,000 for the construction of an access road (Industrial Boulevard). The Cabinet agrees to reimburse the fiscal court for project costs incurred up to \$1,200,000.

**WARREN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**  
**(Continued)**

**Note 14. Subsequent Events (Continued)**

**C. General Obligation Improvement Bonds, Series 2004**

On January 9, 2004, the Warren County Fiscal Court approved an ordinance authorizing and approving the issuance of general obligation improvement bonds (parks and courthouse project), series 2004 in an amount not to exceed \$2,000,000. The bond issuance will be for the following purposes: i) financing the acquisition, development and construction of community park projects, including reimbursing the Fiscal Court for costs associated therewith; ii) renovation of the existing Warren County Courthouse; iii) depositing sufficient monies to complete both projects; and, (iv) paying the costs of issuance on the Bonds.

**Note 15. Changes in Accounting Principles and Prior Period Adjustments**

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental and business type activities is an increase of \$39,601,652 and an increase of \$13,315 respectively, due to capital assets previously not reported.

The beginning net asset balance for governmental activities and the beginning fund balance for the General Fund, Parks Enterprise Fund, and Justice Center Expansion Corporation have been restated for outstanding checks and expenditures previously omitted in error. The effect on the General Fund and Justice Center Expansion Corporation is a decrease of \$470,166 and \$270,150, respectively. The effect on the Parks Enterprise Fund is an increase of \$414.

**Note 16. Estimated Infrastructure Historical Cost**

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction.

**WARREN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**

**For The Year Ended June 30, 2003**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 6,440,000	\$ 6,440,000	\$ 6,796,883	\$ 356,883
In Lieu Tax Payments	101,200	101,200	103,589	2,389
Excess Fees	865,000	865,000	892,773	27,773
Licenses and Permits	757,500	757,500	833,516	76,016
Intergovernmental Revenue	2,141,054	3,130,742	1,387,918	(1,742,824)
Charges for Services	304,600	304,600	82,664	(221,936)
Miscellaneous	278,960	278,960	82,497	(196,463)
Interest	566,392	566,392	176,682	(389,710)
Total Revenues	11,454,706	12,444,394	10,356,522	(2,087,872)
<b>EXPENDITURES</b>				
General Government	4,699,015	4,704,081	4,589,632	114,449
Protection to Persons and Property	1,087,014	2,084,442	1,452,402	632,040
General Health and Sanitation	1,533,181	1,608,960	1,582,753	26,207
Social Services	383,112	428,202	385,935	42,267
Recreation and Culture	2,111,609	2,649,217	2,621,264	27,953
Airports	140,392	140,392	140,392	
Debt Service	827,640	146,833	144,784	2,049
Capital Projects	245,000	52,009	51,907	102
Administration	962,192	1,111,530	804,716	306,814
Total Expenditures	11,989,155	12,925,666	11,773,785	1,151,881
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	(534,449)	(481,272)	(1,417,263)	(394,254)
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds			30,327	30,327
Transfers From Other Funds	1,088,041	1,088,041	1,787,299	157,520
Transfers To Other Funds	(553,592)	(1,320,399)	(2,370,057)	(1,049,658)
Total Other Financing Sources (Uses)	534,449	(232,358)	(552,431)	(861,811)
Net Changes in Fund Balance		(713,630)	(1,969,694)	(1,256,064)
Fund Balance - Beginning		713,630	7,333,259	6,619,629
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,363,565	\$ 5,363,565

**WARREN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2003 (Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,430,000	\$ 1,892,136	\$ 1,413,349	\$ (478,787)
Miscellaneous	9,000	9,000	6,164	(2,836)
Interest	7,500	7,500	1,497	(6,003)
Total Revenues	<u>1,446,500</u>	<u>1,908,636</u>	<u>1,421,010</u>	<u>(487,626)</u>
<b>EXPENDITURES</b>				
Roads	1,157,925	1,227,789	1,218,056	9,733
Road Facilities	3,000	3,000	2,878	122
Capital Projects	600,000	1,379,373	1,002,236	377,137
Administration	239,167	202,066	196,664	5,402
Total Expenditures	<u>2,000,092</u>	<u>2,812,228</u>	<u>2,419,834</u>	<u>392,394</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(553,592)</u>	<u>(903,592)</u>	<u>(998,824)</u>	<u>(95,232)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>553,592</u>	<u>903,592</u>	<u>1,400,000</u>	<u>496,408</u>
Total Other Financing Sources (Uses)	<u>553,592</u>	<u>903,592</u>	<u>1,400,000</u>	<u>496,408</u>
Net Changes in Fund Balance			401,176	401,176
Fund Balance - Beginning			<u>36,702</u>	<u>36,702</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 437,878</u>	<u>\$ 437,878</u>

**WARREN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2003 (Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 4,329,093	\$ 4,329,093	\$ 3,843,218	\$ (485,875)
Charges for Services	389,192	389,192	411,741	22,549
Miscellaneous	414,964	474,964	526,109	51,145
Interest	8,664	8,664	2,013	(6,651)
Total Revenues	5,141,913	5,201,913	4,783,081	(418,832)
EXPENDITURES				
Protection to Persons and Property	3,744,520	3,784,520	3,662,148	122,372
Debt Service	711,784			
Administration	685,609	703,609	676,585	27,024
Total Expenditures	5,141,913	4,488,129	4,338,733	149,396
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)		713,784	444,348	(269,436)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			294,830	294,830
Transfers To Other Funds		(713,784)	(713,784)	
Total Other Financing Sources (Uses)		(713,784)	(418,954)	294,830
Net Changes in Fund Balance			25,394	25,394
Fund Balance - Beginning			230,700	230,700
Fund Balance - Ending	\$ 0	\$	\$ 256,094	\$ 256,094

**WARREN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2003**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the General Obligation Bond Fund, the Jail Canteen Fund, the Regional Jail Corporation, and the Justice Center Expansion Corporation.

The State Local Finance Officer does not require the General Obligation Bond Fund, the Regional Jail Corporation, and the Justice Center Expansion Corporation to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



**WARREN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**  
  
**For The Year Ended June 30, 2003**

**WARREN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2003**

	<b>LGEA Fund</b>	<b>Grant Fund</b>	<b>Park Enterprise Fund</b>	<b>Emergency 911 Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 506,754	\$ 14,425	\$ 123,526	\$ 41,465
Investments	85,000			
Total Assets	<u>\$ 591,754</u>	<u>\$ 14,425</u>	<u>\$ 123,526</u>	<u>\$ 41,465</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
	\$	\$	\$	\$
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Unreserved:				
Special Revenue Fund Types	<u>\$ 591,754</u>	<u>\$ 14,425</u>	<u>\$ 123,526</u>	<u>\$ 41,465</u>
Total Fund Balances	<u>\$ 591,754</u>	<u>\$ 14,425</u>	<u>\$ 123,526</u>	<u>\$ 41,465</u>
Total Liabilities and Fund Balances	<u>\$ 591,754</u>	<u>\$ 14,425</u>	<u>\$ 123,526</u>	<u>\$ 41,465</u>

**WARREN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**  
**For The Year Ended June 30, 2003**  
**(Continued)**

<b>Federal Drug Forfeiture Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 41,743	\$ 727,913
	85,000
<u>\$ 41,743</u>	<u>\$ 812,913</u>

<u>\$</u>	<u>\$</u>
<u>\$ 0</u>	<u>\$ 0</u>

<u>\$ 41,743</u>	<u>\$ 812,913</u>
<u>\$ 41,743</u>	<u>\$ 812,913</u>
<u>\$ 41,743</u>	<u>\$ 812,913</u>

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**WARREN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2003**

**WARREN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2003**

	<b>LGEA Fund</b>	<b>Grant Fund</b>	<b>Park Enterprise Fund</b>	<b>Emergency 911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 375,064
Intergovernmental	381,063	378,615		
Miscellaneous			138,080	
Interest	15,899		404	
Total Revenues	<u>396,962</u>	<u>378,615</u>	<u>138,484</u>	<u>375,064</u>
<b>EXPENDITURES</b>				
General Government	50,000	378,615		
Protection to Persons and Property	69,580			351,323
Social Services	62,000			
Recreation and Culture			42,413	
Roads	143,559			
Administration	101			
Total Expenditures	<u>325,240</u>	<u>378,615</u>	<u>42,413</u>	<u>351,323</u>
Excess (deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>71,722</u>		<u>96,071</u>	<u>23,741</u>
Net Change in Fund Balances	71,722		96,071	23,741
Fund Balances - Beginning	520,032	14,425	27,455	17,724
Fund Balances - Ending	<u>\$ 591,754</u>	<u>\$ 14,425</u>	<u>\$ 123,526</u>	<u>\$ 41,465</u>

**WARREN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**  
**For The Year Ended June 30, 2003**  
**(Continued)**

<b>Federal Drug Forfeiture Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$ 375,064
61,934	821,612
	138,080
232	16,535
62,166	1,351,291
	428,615
20,423	441,326
	62,000
	42,413
	143,559
	101
20,423	1,118,014
41,743	233,277
41,743	233,277
	579,636
\$ 41,743	\$ 812,913

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**WARREN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2003**



**WARREN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**

**Fiscal Year Ended June 30, 2003**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses a qualified opinion on the discretely presented component units of Warren County, Kentucky, and an unqualified opinion on the financial statements of Warren County, Kentucky.
2. Two reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Warren County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Warren County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Warren County reported in Part C of this schedule.
7. The programs tested as major programs were: Project Impact and State Domestic Preparedness Equipment Support Program
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Warren County was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

**Reference Number 2003-1**

The Jailer Should Require Jail Canteen Records Be Maintained In Accordance With Guidelines Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

During testing of Jail Canteen records, we noted that daily check-out sheets, a receipts ledger, and a disbursements ledger were not being properly maintained. Daily check-out sheets are not utilized. Daily deposits could not be traced to the receipts ledger. The disbursements ledger was incomplete, since not all checks and charges had been posted. We recommend the jailer require daily check-out sheets be utilized, check-out sheets be posted to the receipts ledger, and the disbursements ledger include all checks and charges posted into the proper category so that Jail Canteen records are maintained in accordance with KRS 68.210

*County Judge/Executive Michael Buchanon's Response:*

*The Jailer has assured this office that actions have been taken to correct any deficiencies stated above.*

*Jailer Jackie Strode's Response:*

*Will correct.*

**WARREN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**  
**Fiscal Year Ended June 30, 2003**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**REPORTABLE CONDITIONS**

**Reference Number 2003-2**

Southern Kentucky Performing Arts Center, Inc. Lacks Adequate Segregation Of Duties

Southern Kentucky Performing Arts Center, Inc. (SKyPAC), a discretely presented component unit, lacks adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions SKyPAC's Board of Directors has limited options for establishing an adequate segregation of duties. We are recommending that the following compensating controls be implemented to offset this internal control weakness:

- SKyPAC's President should compare the financial report to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The President could document this by initialing the financial report.
- SKyPAC's President should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The President could document this by initialing the bank reconciliation and the balance in the checkbook.
- SKyPAC's Board of Directors should review and approve all expenditures prior to payment.

*County Judge/Executive Michael Buchanon's Response:*

*These comments have been agreed to by SKyPac.*

*SKyPAC's Response:*

*SKyPAC presently has no employees. As pointed out by the auditor, its small size limits its options for establishing segregation of duties. As provided in the Bylaws of the Corporation, all checks above \$500 require the signatures of any two of the Chairman of the Board, President or Treasurer. In the future, the President will initial invoices; however, the financial report is presented to and approved by the Board at its regular monthly meetings setting forth receipts and disbursements. In the future, the Board will review and approve all expenditures prior to payment; however, generally, this practice has been followed to date.*

*Auditor's Reply:*

During our review of the board minutes, we found that the minutes contained inadequate documentation of board approval of certain expenditures.

**WARREN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Other Supplemental Information**  
**Fiscal Year Ended June 30, 2003**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

REPORTABLE CONDITIONS (Continued)

**Reference Number 2003-3**

Inter-Modal Transportation Authority, Inc. Lacks Adequate Segregation Of Duties

As is often the case with smaller organizations, segregation of conflicting duties within the Inter-Modal Transportation Authority, Inc.'s (ITA), a discretely presented component unit, accounting department is difficult because of the limited number of personnel. Delegation of duties with a limited number of personnel cannot adequately provide the separation of custody of assets from the related recording and monitoring transactions.

While the ITA has implemented mitigating controls to compensate for some segregation of duties issue, we encourage you to limit to the extent possible, performance of incompatible duties by individuals in the ITA's accounting department.

*County Judge/Executive Michael Buchanon's Response: None*

*ITA's Response: None*

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None

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**WARREN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Other Supplemental Information**





**WARREN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplemental Information**

**Fiscal Year Ended June 30, 2003**

Federal Grantor			
Program Title	Pass-Through		
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	
Cash Programs:			
<u>U.S. Department of Justice</u>			
Direct Program:			
Community Oriented Policing Services -			
COPS In School Program			
(CFDA #16.710)	1999SHW X0133	\$	4,008
Passed-Through State Department Of			
Juvenile Justice:			
Juvenile Accountability Block Grant -			
Girls, Inc. - After School Reporting			
(CFDA #16.523)	2002-JB-BX0023(207)		8,617
Passed-Through State Department Of			
Justice:			
Byrne Formula Grant			
(CFDA #16.579)	6479-N2-7/99		179,964
Passed-Through Daviess County, Kentucky			
Sheriff's Department:			
Community Oriented Policing Services -			
Methamphetamine Grant			
(CFDA #16.710)	N/A		50,319
Total U. S. Department of Justice		\$	242,908
<u>U. S. Federal Emergency Management Agency</u>			
Passed-Through State Department			
of Military Affairs:			
Disaster and Emergency			
Assistance Grant-			
Coordinator Salary			
(CFDA #83.503)	N/A	\$	17,008
Project Impact			
(CFDA #83.551)	EMA-2000-GR-0073		211,001
Total U. S. Federal Emergency Management Agency		\$	228,009

**WARREN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplemental Information**  
**Fiscal Year Ended June 30, 2003**  
**(Continued)**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs: (Continued)		
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	N/A	\$ 178,138
Total Cash Expenditures of Federal Awards		<u>\$ 649,055</u>

**WARREN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplemental Information**  
**Fiscal Year Ended June 30, 2003**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Warren County Fiscal Court provided federal awards to the following subrecipient:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Juvenile Justice Accountability Block Grant - Girls, Inc. - After School Reporting	16.523	Girls, Inc.	<u>\$ 8,617</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Members of the Warren County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 26, 2004. The financial statements of South Central Kentucky Regional Development Authority have not been audited, and we were not engaged to audit the South Central Kentucky Regional Development Authority's financial statements as part of our audit of the County's basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Warren County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed an instance of material noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

- 2003-1 The Jailer Should Require Jail Canteen Records Be Maintained In Accordance With Guidelines Prescribed By The State Local Finance Officer Pursuant To KRS 68.210

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Warren County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

- 2003-2 Southern Kentucky Performing Arts Center, Inc. Lacks Adequate Segregation Of Duties
- 2003-3 Inter-Modal Transportation Authority, Inc. Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be a material weakness.

- 2003-2 Southern Kentucky Performing Arts Center, Inc. Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 26, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Members of the Warren County Fiscal Court

**Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Warren County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Warren County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Warren County's compliance with those requirements.

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Warren County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 26, 2004

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**WARREN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



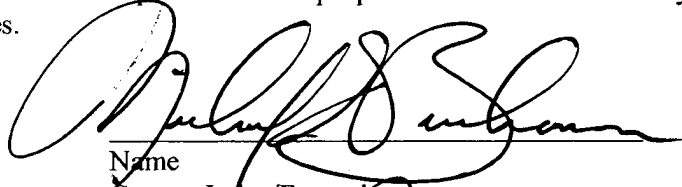
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

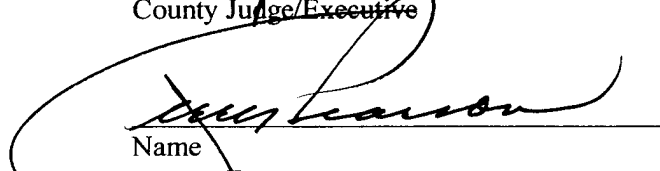
WARREN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Warren County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



\_\_\_\_\_  
Name  
County Judge/Executive



\_\_\_\_\_  
Name  
County Treasurer





